

**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad
at Press Conference on Republican Efforts to Accelerate Tax Rate Cuts
December 12, 2001**

The point I want to make is this: the acceleration of the rate cuts provides very little stimulus and is fiscally irresponsible. It provides very little stimulus because as you can see most of the cost, and therefore most of the benefit, occurs after this year. That's not what a stimulus package is about.

A stimulus package is to help economic recovery now. It's to give a boost to the economy now, not five years from now, not three years from now, but now. And, so there is very little stimulative effect of these accelerated rate cuts because most of the affect occurs after this year. In fact, 80% of it occurs after this year.

The second point I want to make is that it is fiscally irresponsible. And it's fiscally irresponsible for the same reason it is not very stimulative. The cost mushrooms in outyears when we should be in strong recovery.

We already know that we are in deep financial trouble in the next three years. The head of the Office of Management and Budget, Mr. Daniels, has indicated he anticipates us being in deficit for the next three years. You can see if the Republican stimulus plan is adopted he's exactly right – we will be in deficit the next three years. The cumulative effect over the next three years will be to add \$136 billion of deficit. The next three years under the Democratic plan will actually show a slight surplus of \$10 billion. So the difference in terms of additional deficit, of additional debt, under the Republican plan is \$146 billion more in deficit and debt.

That is exactly what we don't need because the way they've designed this plan so much of the cost occurs after the economy should already be in recovery, that they actually threaten the economic recovery that they want to promote. They actually, by running big deficits in future years, threaten to raise interest rates and undo all of the good of a stimulus package. This is precisely the wrong thing to do, so I am very hopeful that if we are able to adopt a stimulus package that it is one that really does help economic recovery, number one. And, number two, it is fiscally responsible – that's critical for making it work.

Question: Senator Conrad, if the congressional leaders and key tax writers who may meet again to talk about a final stimulus deal come up with something, it would seem as if Republicans would have to get at least one of their tax proposals in there in order to accept part of the deal along with some Democratic priorities about helping workers and unemployment benefits and so forth, health care. Other than the payroll tax proposal, which of the various Republican proposals that have been out there for tax relief do you find least objectionable and might be most willing to go along with as part of a final package?

Answer: There are Republican proposals that we share in common, that I enthusiastically support. Bonus depreciation. Every economist that has come before us have said that was

something that if done time limited for one year would have a real effect on the economy. It would change behavior. It would change companies' decision as to when to buy. But, the Republican proposal in the package is do it over three years. That's not a stimulus plan. If they shorten it to one year, I'd certainly heartily endorse their 30 percent bonus depreciation.

Second would be net operating loss carrybacks. Now you can only take losses back two years. To be able to take them back five years is a reasonable, rationale proposal. It is one we have in common. Rebates to those who didn't receive the rebates earlier – those who are payroll taxpayers who got no tax relief. The model shows, the economic analysis shows that is the most beneficial thing to stimulating the economy, to promoting economic recovery. That's something we have in common. Those are a whole series of things we can very quickly agree on.

What we're not going to agree on is this accelerated income tax rate cuts for the very wealthiest among us. Number one, it doesn't stimulate because most of the effect, the vast majority of it, occurs after this year – and I'm talking after the whole year of 2002. And number two, it is fiscally irresponsible. It digs the hole deeper. It takes more money out of the Social Security Trust Fund to pay for an income tax cut to the wealthiest people in the country. Now, that cannot be the outcome of a stimulus package. That's a political agenda, not an economic recovery agenda.

Question: Some of your Democratic colleagues have said that they could accept a rate reduction. In fact some of the people he was meeting with at the White House last night said taken as part of a package, it could form the basis of an agreement. Do you have any concerns that there might be a repeat of the Spring dynamics in which a majority of Republicans joined a minority of your caucus to try to get a bill passed?

Answer: No I'm not concerned about that because the circumstances, as you know, are totally different. In that circumstance, we were using a procedure called reconciliation -- which should never have been used for that purpose, but was -- which permits just 51 votes to decide the outcome in the Senate. Those are not the rules we'll be under here.

And, if anybody thinks they're going to be able to push off a package here that is fiscally irresponsible, that takes the money out of the Social Security Trust Fund to pay for an income tax cut years down the road for the wealthiest among us, they have another thing coming to them because we'll have a very long debate and discussion on the floor of the Senate. There are enough of us who feel passionately about not raiding the Social Security Trust Fund to give an income tax cut to the wealthiest among us for years in the future that that is not going to happen.

Question: Would you be willing to raise the necessary points of order, and could you sustain those points of order, would you be willing to block the motion to proceed if necessary under that dynamic?

Answer: We will have just a very extended discussion in the United States Senate before we go down the path of fiscal irresponsibility. We are not going to dig the deficit hole deeper for this

country and call it stimulus.

Question: Would you filibuster a bill if it had any accelerated rate cut?

Answer: What I've tried to make clear here is that the proposal coming from some of the Republicans that they're insisting be part of a package is just unacceptable to many of us on the grounds it is fiscally irresponsible. It takes money from the Social Security Trust Fund to give an income tax cut to the best-off Americans. And, it does it not just in this year, in fiscal year 2002, but it effects future years as well. Here's the impact. Eighty percent of the impact is beyond the year 2002. No one can argue that is stimulus – that's a political agenda. And, it's one that I reject. Taking money – every dime of it would come out of the Social Security Trust Fund to give an income tax cut to the wealthiest quarter of the American population. Now, that's just wrong.

Question: Are you saying you're willing to filibuster?

Answer: I'm saying that there are enough of us who will be willing to debate for a long time, and have an extended discussion so that hopefully cooler and calmer heads would realize that an economic recovery package ought to be that. It should not be a disguised raid on the Social Security Trust Fund.

- end -